

## USPS-R2012-3/2 Standard Mail Cap Compliance

### Preface

#### A. Overview of the Workpapers

The Standard Mail workpapers consist of one Excel workbook, CAPCALC-STD-R2012.xls, that performs the revenue calculations required to determine the overall average price increase for Standard Mail resulting from the prices in this filing. **The revisions of November 8, 2011 are described at the end of this Preface.**

The workbook, CAPCALC-STD-R2012.xls, takes the FY 2010Q4-FY 2011Q3 billing determinants volume weights and, using current and new prices, develops the total Standard Mail revenues at current and new prices. The details of these calculations are described in subsection (B), below, and in the first worksheet in CAPCALC-STD-R2012.xls, titled "Description," which provides references to specific worksheets in the workbook. The last worksheet in CAPCALC-STD-R2012.xls performs the price change calculation for Standard Mail, showing that the overall price change is below the cap. It also calculates the Banked authority for Standard Mail resulting from the filing.

#### B. The Revenue Calculations

The adjusted billing determinants are used to calculate the price increase for Standard Mail in workbook CAPCALC-STD-R2012.xls. The data and calculations are described in the first worksheet "Description" and in the individual worksheets. The volumes used for the revenue calculations are taken from the FY 2010Q4-FY 2011Q3 Standard Mail billing determinants and are shown in worksheets "L-F-P Com. Cap Weights," "L-F-P NP Cap Weights," "HD-Sat-CR Com. Cap Wts.," and "HD-Sat-CR NP Cap Wts." As described in the "Description" worksheet, the billing determinants were adjusted to remove volumes associated with (i) the commercial machinable and irregular parcels that are being transferred to the competitive products list and, (ii) a portion of the commercial NFM's volumes that are not expected to remain in Standard Mail because of the termination of the NFM's category and the different addressing standards for the successor category, Marketing Parcels.

The prices are the current Standard Mail prices from the MCS rate schedules and the new prices set forth in Attachment A to the Postal Service's Notice of Market-Dominant Rate Adjustment. The revenue calculations are

presented in the four worksheets: "LFP Revenue@Current Prices," "LFP Revenue@New Prices," "HD-Sat-CR Revenue@Curr. Prices," and "HD-Sat-CR Revenue@New Prices." There is also a worksheet, "Adjustment for NFM Migration", that adjusts the revenue at the new prices for the expected migration of certain NFMs used for fulfillment to the nonprofit irregular parcels category, due to the different addressing standards for Marketing Parcels. The final revenue calculation and percentage price increase for Standard Mail as a whole is presented in worksheet "Price Change Summary," which also contains the calculation of Banked authority and the average revenue calculation for all commercial and all nonprofit Standard Mail, showing that the new prices meet the 60 percent ratio requirement.

### **REVISIONS OF NOVEMBER 8, 2011**

As a result of Chairman's Information Request No. 1, Question 2a, the Postal Service has corrected errors in the CAPCALC-STD-R2012.xls workbook for Standard Mail. The corrections change the pieces and pounds for presorted (nonautomation) pound-rated flats, both commercial and nonprofit. These changes are described below and are highlighted in the workbook.

1. The volumes and pounds for presorted pound-rated commercial flats in worksheet "L-F-P Com. Cap Weights" have changed, affecting cells I31 to K34 and N31 to P34. These changes affect the totals shown in cells E78, E79 and F82 of the same worksheet.
2. The volumes and pounds for presorted pound-rated nonprofit flats in worksheet "L-F-P NP Cap Weights" have changed, affecting cells I31 to K34 and N31 to P34. These changes affect the totals shown in cells E68, E69 and F72 of the same worksheet.
3. The changes in pieces and pounds affect the calculations of revenues in worksheet "LFP Revenue@Current Prices" in cells I31 to K34 and N31 to P34 for commercial flats and cells I96 to K99 and N96 to P99 for nonprofit flats. The Total Calculated Revenue (cells D132 to D134), Total Adjusted Revenue (cells D151 to D153) and Revenues by Product (cells D157 and D159) on the same worksheet are also affected.
4. The changes in pieces and pounds affect the calculations of revenues in worksheet "LFP Revenue@New Prices" in cells I31 to K34 and N31 to P34 for commercial flats and cells I96 to K99 and N96 to P99 for nonprofit flats. The Total Calculated Revenue (cells D132 to D134), Total Adjusted Revenue (cells D154 to D156) and Revenues by Product (cells D160 and D162) on the same worksheet are also affected.
5. On worksheet "Price Change Summary" the Standard Mail Revenue at Cap Calculation Weights At Current Prices (cell C5) and At New Prices (cell C6) also changed. No other cells changed in their displayed values.